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May 20, 2013

Mayor William V. Bell and Members of the Durham City Council:

I am pleased to present the proposed budget for Fiscal Year 2013-14. The annual operating budget is the most important policy decision elected officials make on an annual basis. This proposed budget is intended to allocate limited resources to the highest community priorities guided by the City's Strategic Plan and community feedback. During the budget development process we focused on performance measures; using data to make decisions. We also continued the prioritization of programs and initiatives, reviewed allocation requests strategically and sought opportunities to improve efficiency while ensuring that essential public services continue to meet the needs of the community. Although this process is always challenging, the prudent decisions made over the last few years significantly reduced the initial budget gap. This process required tremendous effort, commitment and collaboration from all City departments and the budget staff. I am confident the budget is fiscally responsible and addresses the needs of Durham's residents.

Durham citizens' participation in the budget process has been nationally recognized. During the process we again held five "Coffees with Council" to obtain input on the development of the upcoming year's budget and Capital Improvement Plan (CIP).



A Strategic Plan "Visioning" session was also held with our residents, stakeholders, City staff, and the Partners Against Crime Districts (PACs) to gain a better understanding of their vision of the five strategic plan goals and their ideas for specific projects and activities that the City could undertake to realize the goals. Information obtained from the visioning sessions and surveys was used to guide the strategic plan update.

City Council budget retreats were held in February and March which gave City Council members an opportunity to discuss and confirm priorities for the upcoming fiscal year and allowed the Administration to brief City Council on financial projections for the upcoming budget. The result of these transparent interactions yielded generally the same major community priorities, all of which are included in one or more of the City Council goals:

- Strong and Diverse Economy
- Safe and Secure Community
- Thriving and Livable Neighborhoods
- Well-Managed City
- Stewardship of City's Physical Assets

To guide the development of the proposed budget the City Council adopted budget guidelines. These guidelines along with the strategic plan served as the framework for developing the budget, and included:

- **General Fund fund balance** will not be projected to fall below 12% at the end of FY2013-14. Projected General Fund balance over 12% may be considered for one-time (non-recurring) expenditures.
- Funding of the **Downtown Business Improvement District (BID)** will be considered with a tax increase of up to 7 cents per \$100 assessed value on the property within the boundaries of the BID.
- Funding of the **Dedicated Housing Fund** as a Special Revenue Fund at **1 cent** (per \$100 assessed value), the same as appropriated in the Community Development departmental budget for FY12-13.
- **Non-recurring funds** shall not be directed toward recurring uses.
- **Fee adjustments** will be considered, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- Proposed **water and sewer rate** increases will not exceed an average of **2.5% for FY13-14.**
- Proposed **stormwater rate** increases will not exceed **8.5%** for National Pollution Discharge Elimination System (NPDES) required monitoring, maintenance and watershed plan implementation.
- Other **revenue adjustments** will be considered to balance the budget.
- Property tax dedicated to support debt service paid from the **Debt Service Fund** should not exceed 15% of total expected property tax collections plus all other General Fund and Debt Service Fund revenues.
- We must consider **employee compensation adjustments** as a priority; therefore, the following **pay and benefit** components will be proposed:
  - Pay for Performance (P4P) pay plan for General employees (3%)
  - Pay Plan for sworn Police and Fire employees (3.5% to 5%)
  - Supplemental Retirement - 401K (remain at 4.5%)
  - Medical and Dental insurance – the priority will be to limit increased costs for the City and employees
- Priority will be given to those requests that support the **Strategic Plan goals.**
- **Deferred maintenance** will be funded up to **\$600,000.**
- **Street resurfacing** funding for paving and maintenance services of streets and sidewalks, and will be funded up to **\$1,000,000**
- Funding for **capital projects** will be provided in the form of pay-as-you-go funding or for debt service payments, and will be established at a minimum of **\$500,000.**
- Public transit services should be evaluated for additional cost savings and revenue enhancements to balance the fund.
- **Fleet funding** will be maintained to replace vehicles with costs not to exceed \$3 million for the General Fund.
- **New positions** will only be funded for a partial year when warranted by the timing of the actual operational impact on the budget.

## BUDGET OVERVIEW

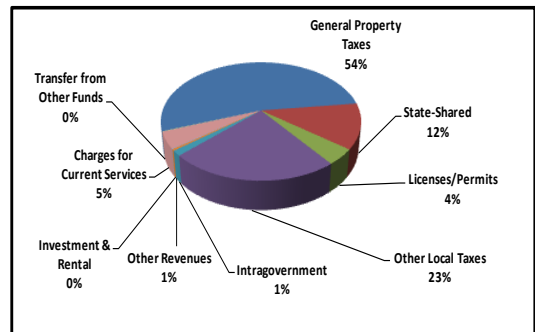
The total **proposed budget** for **FY2013-14** is **\$381 million** compared to \$373.2 million for FY2012-13, an **increase of \$7.8 million (2.1%)**.

### GENERAL FUND

The proposed **General Fund budget** (which provides funding for core city services) is **\$169.6 million** and represents a **\$7.1 million (4%) budget reduction** from the FY 2012-13 budget of \$176.7 million.

#### Revenues (budget-to-budget)

- The General Fund shows an **8.6% decrease in property tax revenues** recognized in the General Fund.
- A **1.7% increase in sales tax**.
- A **5.1% increase in Business Licenses** revenue.
- Overall increase in **State Collected Local Government Revenues** of 2.1%.
  - A **1.9% increase in Powell Bill** revenues
  - A **2.0% increase in Beer and Wine tax**
  - A **2.2% increase in Utility Franchise tax**
- A **40.6% increase in transfer from fund balance**.
- A **18.9% increase in inspection fee revenues** and a **1.9% increase in planning fee revenues** reflect a positive trend in development activity for FY2013-14 and an alignment with projected FY2012-2013 fee collections.
- A **4.3% increase in investment earnings**.



#### Property Taxes

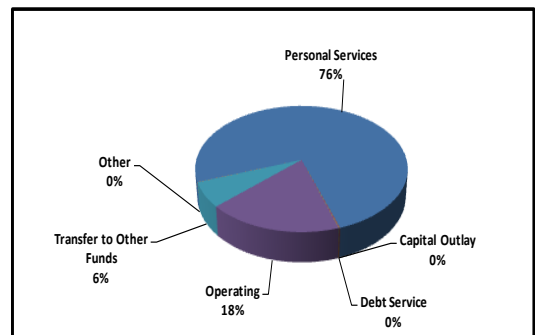
The proposed budget does not include a **property tax rate increase** for **FY2013-14**. The rate will remain at **56.75 cents** per \$100 of assessed value. The tax rate is allocated as follows:

- **37.39 cents per \$100 for General Fund operations**
- **14.61 cents per \$100 for Debt**
- **3.75 cents per \$100 for Transit**
- **1.0 cent per \$100 for Dedicated Housing Fund**

A tax rate of 56.75 per \$100 generates a tax bill of \$851.25 on a house valued at \$150,000.

#### Expenditures (budget-to-budget)

- **Personnel** expenditures increased by \$2.5 million (2.0%).
- **Operating** expenditures decreased by \$0.21 million (0.7%)
- **Transfers** decreased by \$6.7 million (38.4%).



## WATER AND SEWER FUND

The **Water and Sewer Fund** budget of **\$90.7 million** adequately supports water and sewer operations and increased infrastructure debt service costs.

### Revenues

**Moderate increases for water and sewer volume charges and service charges are budgeted for FY2013-14.** The total rate increase to **the average customer is about 2.5%.** Rate changes were adopted at the May 6, 2013 City Council meeting and will be effective July 1, 2013, with implementation in the August and September billings.

	FY 13 Rates	FY 14 Rates
<u>Monthly Water Rates</u>		
Service Charge	\$ 5.77	\$ 6.15
Volume Charge - Tiered Rates (per 100 cubic foot - ccf)		
Tier 1 (0 - 2 ccf)	\$ 1.74	\$ 1.75
Tier 2 (>2 - 5 ccf)	\$ 2.62	\$ 2.63
Tier 3 (>5 - 8 ccf)	\$ 2.87	\$ 2.88
Tier 4 (>8 - 15 ccf)	\$ 3.75	\$ 3.76
Tier 5 (>15 ccf)	\$ 5.62	\$ 5.63
<u>Monthly Sewer Rates</u>		
Service Charge	\$ 6.73	\$ 7.02
Volume Charge (per ccf)	\$ 3.67	\$ 3.75

These rate changes account for the modest increase in water and sewer user revenues over the FY2012-13 budget. Lower consumption continues to drive customers into the lower rate tiers. Overall Water and Sewer Fund revenues are only budgeted to increase 0.8%.

### Expenditures

Water and Sewer Capital Improvement Program (CIP) projects total **\$9.4 million to improve the infrastructure** required to ensure adequate water supply, treatment and delivery, and an additional **\$16.5 million for wastewater projects** for FY2013-14. A \$20 million transfer to the CIP is planned for FY2013-14, the same amount transferred in FY2012-13.

Operating expenses are projected to increase by about \$700,000. This is primarily due to higher contributions to the Risk internal service fund (\$136,000), and an increase in indirect costs (\$200,000). The balance is from departmental operating items including maintenance and repair costs.

## HIGHLIGHTS OF THE FY2013-14 BUDGET

The city aligns all of its activities with the citywide Strategic Plan goals (1) Strong and Diverse Economy (2) Safe and Secure Community (3) Thriving, Livable Neighborhoods (4) Well-Managed City and (5) Stewardship of City's Physical Assets.

**Well-Managed City** – provide professional management that is accountable, efficient and transparent.

Based on the 2011 **Resident Satisfaction Survey**, to be conducted again in FY2013-14, residents were generally satisfied with City customer service; 78% of residents were satisfied or very satisfied with how courteous city employees were and 71% with how easy City employees were to contact. Both of these demonstrate City employees' commitment to the "Culture of Service" initiative. We value our employees' contribution to making Durham a great place to live, work and play. Results from the 2011 survey indicate that satisfaction improved in 48 of the 57 areas. The survey results helped the City determine priorities for the community as a part of the Strategic Plan and the ongoing budget planning process.

### Employee Compensation and Benefits

- Funding is provided to support an average **general employee pay increase of 2%** and to support **the police and fire pay plans (3%-5%)**.
- The City's contribution to the employee **401K** provides additional retirement savings for employees. This budget proposes to maintain the City's contribution at **4.5% of eligible employees' salary**. State statute requires local governments to contribute 5% for sworn law enforcement officers.
- In accordance with State Statute, the retirement rate for general employees increased from **6.74% to 7.07%**, and from **6.77% to 7.28%** for law enforcement officers for the **Local Government Employees Retirement System (LGERS)**, requiring the City to increase its retirement contribution for all employees.
- The City hired a Senior Human Resource Consultant during FY2011-12 to manage our newly created **Employees Health Fund** and expand our wellness programs to reduce claims. A greater analysis of benefits plan design, claims trends, and medical costs would ensure that we are managing our health care costs to the greatest extent possible. This is a \$30 million fund insuring over 5,100 people. The Administration also collaborated with the insurance broker to assist in identifying ways to reduce the cost of health insurance while continuing to provide a quality insurance program plan for its employees. All of the above efforts resulted in **no proposed health insurance premium. Dental insurance premiums will increase by 2.8%** for FY2013-14.
- As a result of program prioritization and the resources required and available, a total of **16 positions are proposed to be permanently eliminated**. Additionally, based on program prioritization and program needs, funding is included for a total of **4 new positions**.
- The adoption of the City's first overall **Strategic Plan** by City Council set the direction for the future of the City and resource allocation. During the Strategic Plan update process in late 2012, goals, objectives, outcome measures, initiatives and the key priorities were all assessed with new measures and initiatives added along with some additional modifications completed. **The recently updated Strategic Plan was**



**adopted by City Council on April 15, 2013.** A major component of the update was to engage our residents, stakeholders, City staff, and the Partners Against Crime Districts (PACs) in an effort to understand their vision of the five strategic plan goals and their ideas for specific projects and activities that the City can take on to realize these visions. Information obtained from the visioning sessions and surveys was used to guide the strategic plan update. The Strategic Plan outcome measures, objectives, intermediate measures, and initiatives have all made significant progress during the past twelve months with a majority meeting or exceeding target. The organization is definitely trending in the right direction.

- In 2012 the City of Durham and Durham County aligned their strategic plans and collaborated on six **Joint City/County Initiatives** with a focus on youth, beautification, health, sustainability, and the community. This partnership has greatly improved communication, saved taxpayer dollars by pooling resources and has enabled the organizations to more effectively streamline their processes. Durham Public Schools has also partnered with the City on two of the six joint initiatives.

The **Performance Management System dashboard** was launched for the public to use in August 2011 and since implementation has been updated and enhanced five times including the addition of several new features. This is a tool to report progress made on the citywide measures and initiatives, providing a snapshot of performance to our residents. It enables management to make more effective decisions about programs and services using a wide range of data. In 2012, the City was recognized by the International City/County Management Association (ICMA) with a Certificate of Distinction and is one of only fifteen jurisdictions in the United States to receive this honor and the only one in North Carolina.

An update of the **multi-year financial plan** was completed in November 2012. It provided information to clearly identify the gap faced at the beginning of the budget development process. This is a crucial component of planning for the future. This plan will project the financial impact of achieving the objectives in the Strategic Plan and the identify resources needed to fund those objectives.

The biennial **Employee Opinion Survey** was conducted in fall, 2012. The participation rate was 79% as a result of a major effort to ensure that all employees were encouraged to participate (ongoing response rate feedback to department directors, on-site hard copy administration of surveys, reminders to employees). Overall employee satisfaction with the organization increased 6.2 points from 72.6% in 2010 to 78.8% in 2012. Ratings above 75% are considered indicative of a “Quite Meaningful Positive Response.”

At the same time, staff continues to focus on streamlining processes, implementing best practices and planning for the City’s future, all in an effort to explore opportunities to make our employees and processes more efficient and effective. In FY2012-13, **Process Improvement Studies** were conducted with Human Resources along with the development of a new **Prioritizer Model** that will rank citywide processes for improvement using benefit and feasibility metrics. The Human Resources department focused on the priority recommendations identified in the final report and the timeline for implementation including a restructuring of the department.

An ongoing initiative, the **Culture of Service** organizational renewal and employee engagement effort, is taking root in departments, particularly in the area of Service to Community. **City employees contributed over 1,000 hours of labor towards building a home with**





**Habitat for Humanity at 1002 Chester Street.** The City will begin a new project late in the summer. The focus during FY 2013-2014 will be to emphasize the benefits of Service to Self and Service to Co-workers for the advancement and improvement of the organization.

**Accountability** - The City continues to maintain its excellent fiscal status evidenced by:

- A continuing **AAA bond rating** by all three rating agencies, the highest measure of financial security and one attained by only 38 of the nation's more than 22,500 cities;
- **Unqualified opinions by independent auditors** of the City's financial statements and compliance with major federal and state grants;
- A **strong Audit Services Department**, ensuring compliance with applicable laws, policies and procedures, in addition to operating a "fraud, waste and abuse" hotline;
- Continued effort to develop meaningful **performance measures** for all programs and services to communicate the return on the taxpayer's investment. These measures will also help us to continually improve as an organization by monitoring progress toward our stated goals.

**Awards and Recognitions** – The City continues to be recognized for its best practices.

- The International City/County Management Association (ICMA) recognized the City of Durham with the **Certificate Of Distinction** from the ICMA Center for Performance Measurement, **for superior performance management along with leadership in continuous improvement and community engagement.** Durham is one of only 15 jurisdictions in the United States receiving this honor in 2012 and the only one in North Carolina.
- Durham's "**A Heartbeat Away**" joint City/County/DPS initiative was selected as the winner of the Alliance for Innovation's 2013 **Award for Excellence in Local Government.** This one-of-a-kind CPR/AED initiative helps to improve the survival rates of sudden cardiac arrest victims by training government employees and high school students on CPR and AED as well as bystander hands-only CPR.
- The City of Durham received "honorable mention" for having **one of the best fleets in the country** in the May 2013 Government Fleet magazine for the 100 Best Fleets award.
- The City of Durham received "honorable mention" for having **one of the greenest fleets** in the country in the October 2012 Green Fleet magazine for the 100 Best Fleets award.
- The Purchasing Division was awarded the **Sustained Professional Purchasing Award (SPPA)** for 2012. The SPPA is the highest award a purchasing department or division can obtain within the Carolinas Association of Governmental Purchasing (CAGP). The award recognizes sustained excellence in purchasing standards during the previous calendar year. The criteria for the award include the use of technology, minority outreach, staff certification, customer training, vendor training, and the use of recycled products.
- The North Carolina Association of Government Information Officers (NCAGIO) recognized the City's Office of Public Affairs with first place awards for its **2010 Street Bond Voter Education Campaign and its "Creating Connections" – 2010 Year in Review video.** The Durham Police Department also won a second place award for its 2010 annual report, "**Behind the Badge.**"



- The Government Finance Officers Association GFOA presented the **Distinguished Budget Presentation Award** to the City's Budget and Management Services Department for its 2011-2012 fiscal year annual budget. The GFOA's Distinguished Budget Presentation Awards Program is the only national awards program in governmental budgeting and more than 1,250 entries were submitted for this award.
- The City's Comprehensive Annual Financial Report (CAFR) was acknowledged by the Government Finance Officers Association of the United States and Canada (GFOA). The City's Fiscal Year 2011-12 CAFR was recognized with the **Certificate of Achievement for Excellence in Financial Reporting**, the GFOA's highest form of recognition in the area of government accounting and financial reporting.

**Safe and Secure Community** – provide safe and secure neighborhoods which are fundamental to the quality of life and economic vitality of the City.

**Public Safety Services** - Crime continues to be a concern of most residents. According to the results of the 2011 Resident Survey even though 86% of residents feel safe walking alone in their neighborhood during the day, only 56% feel safe walking in their neighborhood at night. Feeling safe and lowering the crime rate continue to be important issues voiced by the Council and Durham residents during the "Coffee with Council" and other public input meetings. Ensuring that the Police Department, Fire Department and Emergency Communications Center (911) are staffed and properly equipped to protect our citizens continues to be a high priority in the FY2013-14 budget.

- To address response time funding is to install **AVL (automatic vehicle locators)** on all emergency vehicles. Based on the Police department's experience, Fire expects a 20 second reduction in response time.
- In October 2010, the Police Department was notified that it had been awarded funding through the 2010 **COPS Hiring Program (CHP)** for 16 police officers. The estimated amount of the award over the three year funding period is \$2.5 million. This allowed the department to fill 16 positions unfunded during the FY2009-10 budget process. With this funding **all authorized sworn positions in the department are fully funded**. The City is required to assume funding for these 16 positions effective FY2013-14.
- In July 2012, the Fire Department was awarded the **2011 Staffing for Adequate Fire and Emergency Response (SAFER) Grant** for 15 additional firefighters to increase the departments "two-in, two-out" capability within existing districts, improving response times. The City is required to assume funding for these 15 positions in October 2014.
- Funding to replace fleet **Mobile Data Computers** in order to maintain access to Division of Criminal Information.
- Funding is included to establish a **911 Systems Manager** paid 75% from the 9-1-1 Emergency Telephone Surcharge Fund and 25% from the General Fund. This is a technical position which will concentrate on the improved telephony structure of the Communication Center. This position will also provide quicker response times in the event of an outage.
- The Transportation Department has various functional activities that support Crime Prevention. Funding is included to maintain existing lighting and provide additional lighting, both **residential and thoroughfare lighting**.
- The fundable CIP includes funding for the replacement of the **800 MHz radio system** infrastructure for public protection in FY2013-14.



- Funding is included for the joint City/County **Warrant Control Office**. The City's contribution will cover 50% of the cost of salary and benefits for full-time civilian clerks, including one manager for three months to address backlog workloads; the remaining nine months the City will reduce funding to 25% in support of ongoing warrant services.
- Funding is included to support the contract with the Administrative Office of the Courts (AOC) for a **Domestic Violence Judge**.
- Funding is included for the joint City/County **Gang Reduction Strategy** initiative. The City contributes 50% for this initiative.
- Funding for **Forensic Accreditation** has been included and will provide greater efficiencies of crime analysis in three key areas: latent prints, firearms and digital forensic examination.
- Fire will be converting one engine company to an **EMT-intermediate delivery company**. This company will be able to offer a higher level of medical care to residents.

**Thriving and Livable Neighborhoods** – strengthen the foundation, enhance the value and improve the quality and sustainability of neighborhoods.

**Housing and Code Enforcement** - Vacant and boarded properties continue to affect many neighborhoods in the community and are tied to property value decline and increases in crime. A systematic approach is being established to bring unsafe and deteriorating rental properties into compliance with the minimum housing code, and to reduce the number of vacant and boarded houses. A key focus has been to educate landlords of their rights and responsibilities to support safe housing, in compliance with the minimum housing code.

- Funding is provided for **special needs housing** to augment services provided by the Community Development Department.
- **Code enforcement** efforts will continue to focus on compelling property owners to remediate code violations. The primary focus of FY2013-14 housing code enforcement will be the continued proactive inspection of rental property (PRIP) and remediation of boarded residential structures.

**Targeting Distressed Neighborhoods** – Staff continues to take a holistic approach to improve Durham's most distressed neighborhoods.

- Funding the **Dedicated Housing Fund** with 1 cent per (\$100 assessed value) of the property tax rate to address housing needs.
- In FY2013-14, major milestones will be reached in the implementation of the **Southside Redevelopment project**. The first phase of rental development on the former Rolling Hills site will be completed by early 2014, adding 80 affordable rental units and 52 market rate units to the housing stock. Construction of new homeownership units will begin late summer 2013 with at least 15 estimated sales during the year.
- Neighborhood Improvement Services will continue to enforce compliance at substandard properties, **remediate unsafe houses, clean up weedy lots and remove graffiti and abandoned vehicles** from neighborhoods.
- The **Neighborhood Compass formerly known as the Neighborhood Vitality Index (NVI)**, will be a collection of data on a wide set of variables (social, physical, crime, economic, etc.) to evaluate and improve the quality of life in Durham neighborhoods. \$17,000 is funded in FY2013-14 for the purchase of some data from private companies. Also, in FY2013-14 the model will continue to be developed

and reviewed with the anticipation of beginning the public outreach phase by the end of the fiscal year.

- The Neighborhood Improvement Services department's target is to **increase completion rate of initial inspections, complete field survey of GIS addresses in the Council designated rental area, develop milestones and staffing strategy** for 2 year rental re-inspection cycle, extension of registration grace period to December, 2013, complete 7 priority inspection areas by March, 2014 and complete remaining designated area inspections between November, 2013 and July, 2016.
- In 2012, The Neighborhood Improvements Services' departmental external SWAT survey indicated a need for **greater outreach into the Latino community**, in response to this need NIS plans to allocate community engagement resources to meet this need. The department will collaborate with an interdepartmental team to create a comprehensive community engagement plan to significantly increase resident participation. Staff will employ new creative and innovative ways to mobilize individual and organizational assets in communities while combining those assets with others to achieve community building goals. An overarching goal is to increase the number and diversity of people involved in their communities, the city will increase the power and voice of the under-represented citizens.
- Joint City/County **Neighborhood Healthy Living** initiative which includes implementing the \$50,000 grant from A Partnership for a Healthier America to hold five Play Streets events in 2013 and five Play Streets events in 2014.

**Transit Services and Durham Area Transit Authority (DATA)** – The budget includes **3.75 cents per \$100 of the property tax rate and increase of 0.52 cents** per \$100 to provide continued funding to core transit services.

- The **Designing Better Bus Service** changes were implemented in two phases (October 2012 and January 2013) and have improved efficiency, effectiveness and **on-time performance** for our transit customers. The effects are being continuously evaluated, and some improvements are being proposed to alleviate overcrowding on certain routes. These improvements are eligible to be funded with the new transit sales tax and registration fee revenues.
- **Fare free transit service on the Bull City Connector** continues, providing fast, frequent fare free transit service between Duke Hospital, Downtown and Golden Belt. This service is provided in partnership with Duke University.
- Efforts continue to develop and implement a **regional plan for transit**, including but not limited to integration of light rail, commuter rail, high speed rail and bus following a successful referendum in Durham in November 2011 for a ½ cent sales tax to support transit service improvements.
- **Increases and changes for certain fares** are proposed including:
  - Duke GoPass
  - Day passes from \$2.00 to \$2.50 and introduction of a stored value discount card (\$25 value for \$20)
  - Discontinuation of 5-Day Pass
  - Students ages 13-18 are eligible for Discount pricing with Student ID
  - Non-profit organizations may purchase packs of 11 2-trip passes for \$11.25
  - Multi-Day pass (31 days) from \$36 to \$42
  - State Fair special service fare from \$2.00 to \$5.00



**Solid Waste Services** – The department continues to recognize increasing interest in the yard waste collection program. For FY 2012-13, the department is projecting 21,800 participants. For FY2013-14, the department estimates the yard waste participation rate will increase to 22,000 customers. Although the customer base has increased, the department continues to provide quality yard waste service without adding additional employees or equipment.

- A new **fee is proposed at \$1.50 per household** to cover capital expenditures for Solid Waste Services. The new fee will generate \$1.2 million in revenue for FY2013-14 thus, reducing by the same amount the Department receives from the General Fund.
- Recycling tonnage is projected to be 14,000 tons for FY2012-13. For FY2013-14, the department **expects to collect 14,800 tons of recyclable material**. At today's current index prices, as a result of the RFP process, the City would receive \$50.64 a ton for recyclable materials.
- Increasing the recycling participation rate and tonnage will continue to be a point of emphasis for the department. Solid Waste staff recently completed a pilot program in NECD that targeted low performing recyclers. As a result of the pilot program, the Department is moving forward with **"Operation Divert"**. Operation "Divert" will be used to improve waste reduction efforts in communities that have been identified as low or underperforming areas for recycling and proper waste disposal. Ten percent of the current service area, which equates to 7000 homes, will receive additional material about recycling, how to use the bulky service program and which week they are supposed to have their recycling carts curbside.
- **New Transfer Station** – a 15,000 sq. ft. transfer station will be built at the City's Waste Disposal and Recycling Center (WDRC). It will be constructed and operated by Waste Industries, LLC. This is an approximate \$3.4 million capital investment by Waste Industries. The City will incur no cost for the construction of the facility, and will assume ownership of the new facility once a Certificate of Occupancy has been issued.
- Anticipated adoption of newly re-negotiated contracts will mean realized savings and increased revenues that will **reduce overall costs in the Solid Waste Fund by approximately \$425,000**.

**Protecting the Environment** - The City maintains an enhanced focus on sustainability to reduce greenhouse gas emissions and protect our environment. The City will be launching a social marketing campaign to increase awareness of environmental issues and encourage citizens to conserve resources and protect the environment.

- The City will be launching an **on-line resource for teachers** so they can more easily access resources such as speakers, curriculum, and classroom activities related to environmental issues.
- The City will implement a new program **focusing on planting more trees** for improved water quality, air quality, greenhouse gas emission reductions, and quality of life.
- The City will create and promote an on-line resource for businesses to access local, state, and national programs, resources, and information to improve their environmental performance.

**Youth Programs** - Providing year-round positive activities for youth is a continuing priority. Our goal is to engage youth through our city departments and support of local non-profits. The following points highlight activities for youth, teens and others.

- Parks and Recreation will continue youth care programs (Afterschool, Summer Camp, Intersession camps, and Fun Days) offered throughout eight City Recreation Centers (Irwin R. Holmes, Sr. Recreation Center, Edison Johnson Recreation Center, Weaver Street Recreation Center, Walltown Park Recreation Center, W. D. Hill Recreation Center, T. A. Grady Recreation Center, East Durham Recreation Center, and the W. I. Patterson Recreation Center), two shared-use sites (Holton Career and Resource Center, Community Family Life and Recreation Center at Lyon Park), and one outdoor park (West Point on the Eno). **In FY2012-13, DPR hired a Care Program Coordinator to provide administrative coordination of the department's care programs.** This change is helping the department improve efficiencies and quality of care programs throughout our system. DPR has also been able to sustain, within target, the provision of athletic programs for youth. For example, Jr. NBA/Jr. WNBA provides basketball opportunities for approximately 400 youth and Durham Girls Soccer League provides soccer programming for approximately 500 youth. Outdoor recreation programs continue to be a success: low ropes course programs, high ropes Discovery course programs at Bethesda Park, the adventure outings (kayaking, canoeing, etc.), community campouts, and community campfire programs. Sustaining these youth and family-oriented programs is a priority for DPR and helps to meet the City Council goal of having "Thriving Livable Neighborhoods."
- The City Manager's Office will partner with Durham County and Durham Public Schools to fund **two new positions for the Durham System of Care.** These positions will facilitate the planning and implementation of programs which aim to improve opportunities for at-risk and high risk youth. These positions will work to implement the recommendations provided by IBM in its study of local youth services. A portion of the funding will also support strategic plan consultation to ensure that the positions are implementing IBM's recommendations as planned.

**Arts and Culture** – Durham's arts and culture is enriched by its history, heritage, and diversity. Thoughtful investment in arts and culture initiatives also generate significant economic benefits for cities.

- The City will continue its management agreements with the **Carolina Theatre**, the **Durham Arts Council** and **St. Joseph's Historic Foundation** for \$614,520, \$649,954 and \$292,000 respectively. This budget also includes funding for the agreement with **Lyon Park** for \$181,000. In addition, funding is included to support the creation of public art facilitated through the City's Public Art Policy.
- The Office of Economic and Workforce Development partnered with the Cultural Advisory Board, the Durham Arts Council and other local agencies on a **North Carolina Arts Council SMART grant** for the development of a plan to use art to improve pedestrian and public transportation connectivity between Downtown and other cultural nodes in Durham. The planning grant will lead to an opportunity to apply for a follow-up implementation grant in FY2013-14.

**A Strong and Diverse Economy** - maintain and grow a strong and diverse economy through a variety of businesses, industries and employment opportunities for the community.

**Downtown Revitalization and Parrish Street** - The Office of Economic and Workforce Development will continue efforts to engage business interests in the downtown tier, building on the successes of recent years to make the downtown area a destination for Durham citizens and visitors.

- OEWD Staff will **recommend changes to the Economic Development, Financial Assistance and Incentive Policy** for Job Creation, Job Retention and Capital Investment adopted in April 2011 in order to make programs simpler and in alignment with the needs of more Durham businesses.
- This budget allocates **\$137,467 for Downtown Revitalization** related to Building Improvement Grants, Retail, Service and Professional Grants, and special event-related costs in order to build economic strength in the expanded Downtown Tier.
- This budget allocates **\$152,629 in Parrish Street** funds for Building Improvement Grants, Retail, Service and Professional Grants, Historic Parrish Street Forum operating expenses and associated educational programming to further preserve the history, highlight the unique character and promote the future of Parrish Street.

**Job Preparation and Placement** - The Office of Economic and Workforce Development will continue to provide services based upon the Durham Workforce Development Board FY2012- 2014 Strategic Plan and delivered through the Durham JobLink Career Center system to connect Durham businesses with local talent.

- This budget allows for OEWD to **provide high quality services to businesses** in conjunction with partnerships with the Greater Durham Chamber of Commerce, Durham Technical Community College, North Carolina Central University, Duke University, Duke Healthcare System, Downtown Durham, Inc., the City's Office of Equal Opportunity and Equity Assurance. OEWD will also work with other not-for-profit and governmental entities that provide resources related to the recruitment, retention, expansion and startups of businesses.
- OEWD will provide businesses with connections to job seekers and vice versa through the **JobLink Career Center System** with focus areas on preparation, training, placement and retention of Durham residents in career opportunities, especially those in high growth industries.

#### **Youth Employment Opportunities -**

- City and County departments , as well as other public and private sector entities will continue to hire youth for year round jobs through the newly branded **Durham YouthWork Internship Program**, a partnership between the City of Durham, Durham County, Durham Public Schools, the Durham JobLink Career Center System, Durham Workforce Development Board, and private sector businesses.
- The Durham Fire Department, in partnership with the Parks and Recreation Department and the Office of the State Fire Marshal, will continue its **Junior Fire Marshal Program**. This program exposes youth to the Fire Department as a potential future career choice.
- Parks and Recreation provides a **free aquatic school** to train teens to attain lifeguard certifications, **leading to employment with the department**.
- **Job skills trainings** (Safe Sitter, Job Readiness Programs) are offered for teens at many recreation centers. **Campus tours** offer teens an opportunity to visit and learn about programs at local colleges.

- The Office of Economic and Workforce Development will maintain the **Youth Employed and Succeeding (YES)** Program, the **Youth Work Experience** program and the **Working Hard On Achieving (WHOA)** program.

**Stewardship of City's Physical Assets** – plan, provide, and maintain adequate infrastructure which supports quality of life and serves as a foundation of a healthy economy.

The **FY2014-2019 Capital Improvement Program (CIP)** is presented to the City Council in a companion document to the FY2013-14 annual budget. The capital improvement budget **includes \$52.7 million for new projects and to complete existing projects**. Funding is provided through impact fees, Water and Sewer revenues and revenue bonds, General Fund financings, pay-as-go funding from capital reserves, and Stormwater fees.

The majority of CIP projects approved were dedicated to **Water and Sewer and Stormwater** enterprise projects. Funding was also granted for General Fund capital projects for projects that were deemed a priority and essential to the City's capital infrastructure needs. The City is committed to providing complete and ongoing communications to citizens and the City Council about the progress of all projects. To monitor the status of any capital project, citizens can visit our website at (<http://www.durhamnc.gov/cip>).

During the bond campaigns in 2005, 2007 and 2010, voters were informed of possible tax increases to pay debt service on bonds issued for projects. **The FY2013-14 budget does not include a tax increase for debt.** The projected General Fund debt to appropriations ratio for **FY2013-14 is 14.32%**.

The CIP budget includes:

- **General Capital Projects:**
  - \$6.9 million for Police Headquarters
  - \$0.65 million for Emergency Communications Relocation
  - \$0.25 million for new sidewalk construction
  - \$0.35 million for petition sidewalk construction
  - \$0.25 million for dirt streets
  - \$0.25 million for Fire Station 17
  - \$.075 million for West Ellerbe Creek Trail
  - \$0.58 million for Athletic Court Renovations (Tennis & Basketball)
- **Impact Fee Projects:**
  - \$4.9 million for the continuation of the Fayetteville Road, and the Fayetteville / Buxton / Riddle Road widening projects
  - \$2 million for Federal and State matching projects for miscellaneous thoroughfares.
- **Stormwater Projects:**
  - \$3 million to address drainage repairs, retrofits and major stormwater infrastructure
- **Water and Sewer Projects:**
  - \$25.95 million for water and sewer improvements including water and sewer rehabilitation, construction, and water source protection
- **Fleet:**
  - \$6 million for General Fund, Solid Waste, Stormwater and Water Management fleet vehicles.



Other capital needs will be met in the operating budget:

- **\$500,000** for **deferred maintenance** to continue to address needs outside of the CIP. All deferred maintenance projects have been prioritized and funding will be applied in priority order.
- **\$750,000** to address **ongoing resurfacing** needs on an annual basis in the operating budget.
- In 2011, DPR implemented a **playground safety surfacing maintenance plan** to address deficiencies across our park system. The first challenge was to bring all existing playground surfacing up to an acceptable standard of care, based on national industry standards. Today, 95% of City playgrounds are in compliance; the next challenge will be maintenance of the playgrounds at that acceptable standard by insuring that annual de-compacting of surfacing material and application of top dressing is completed. That effort will continue in FY2013-14.

## CONCLUSION

By most indications, Durham and the overall national and Triangle economy has moved beyond the recession of the last five years. During this same period the City has significantly improved its financial discipline, long-term financial planning, strategic planning, and performance management systems. As this economic optimism and confidence that our financial house is in order abounds, the reality is that this proposed budget is but a further refinement and adjustment to longer term financial challenges. Financial projections of revenue and expenditure models continue to indicate that future expenses for public safety and transportation (including transit) alone will outpace property tax and sales tax growth over the next five years. This along with many unknowns as a result of the State General Assembly's pledge to overhaul the State tax system, including local tax revenues will require even more financial discipline, along with deliberate program evaluation and prioritization of all City services and expenditures.

As we prepare for the 2013 Resident Survey this fall, we will continue to strive to maximize resident satisfaction by allocating resources to the highest community priorities. Knowing that the results of the 2011 Resident Survey informed that 3 in 4 residents believe Durham was moving in the right direction and that this level of satisfaction is up almost 25% from 2005 I am confident that working together with the community we can find the right balance to optimize resources and priorities.

As communities across the country continue to face unprecedented challenges we are fortunate to live in a community and a region that continues to lead, create and innovate with incredibly engaged residents. I am confident the proposed budget for fiscal year 2013-14 continues a commitment of innovation and improvement to progress Durham, help grow the community, and meet the needs of all citizens, with transparency and stewardship.

I am honored to continue to be entrusted with leading this great organization of engaged City employees, who truly are committed to service. I continue to appreciate and value the close working relationship between the Mayor and City Council and the City Administration, and also congratulate you on the collegiality by which you conduct business and interact. Your political leadership and unselfish dedication to the Durham community is appreciated and at the same time inspiring. In closing, special recognition and thanks are provided to Budget and Management Services Director, Bertha Johnson and the entire BMS staff as they have been at the forefront of not just the budget development process but also the continued execution of our Strategic Plan,

aligned departmental strategic plans, performance management system dashboard and many other process improvement initiatives this past year. Together we will continue to strive to make Durham a place of excellence where great things are happening.

Respectfully Submitted,

A handwritten signature in blue ink, reading "Thomas Bonfield". The signature is fluid and cursive, with the first name "Thomas" and last name "Bonfield" clearly distinguishable.

Thomas J. Bonfield  
City Manager